



**TESTING OF WEAK FORM EFFICIENCY ON BURSA MALAYSIA'S SELECTED
INDUSTRIES**

MUHAMMAD AZIM BIN KAMIL SUHAIMI

2014728625

BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANGEMENT

UNIVERSITI TEKNOLOGI MARA

KAMPUS BANDARAYA MELAKA

JANUARY 2017

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

“DECLARATION OF ORIGINAL WORK”

I, MUHAMMAD AZIM BIN KAMIL SUHAIMI, (I/C Number: 931022-14-5071)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- This project-paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____

Date: _____

TABLE OF CONTENTS

TESTING OF WEAK FORM EFFICIENCY ON BURSA MALAYSIA'S SELECTED INDUSTRIES	i
DECLARATION OF ORIGINAL WORK.....	ii
LETTER OF TRANSMITTAL	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
Table 4.1.1 Descriptive Statistics of IND, PLT, PRO, and T&S for daily data. 39	viii
Table 4.2.1 Unit Root (Daily) Phillips-Peron Test 45.....	viii
LIST OF FIGURES	x
ABSTRACT	xii
CHAPTER 1	1
1.0 BACKGROUND OF RESEARCH	1
1.1 Problem Statement	6
1.2 Research Objective	7
1.3 Research Questions	7
1.4 Significance of study	8
1.5 Limitation of study	9
1.5.1 Reliability and accuracy	9
1.5.2 Time constraint	9
1.6 Scope of Study	9
1.7 Research Structure	10
CHAPTER 2	11
2.0 Theory of EMH.....	11
2.1 Types of EMH	11
2.1.1 Weak Form Efficiency	11
2.1.2 Semi-strong Form Efficiency	12
2.1.3 Strong Form Efficiency.....	13
2.3 Past studies on EMH	17
2.3.1 Weak form efficiency test in India	17
2.3.2 Weak form efficiency test in Central European.....	18
2.3.3 Weak form Efficiency test on Bahrain stock market.....	19
2.3.4 Weak form efficiency testing in Indonesia Stock Market	21
2.3.5 Malaysia stock market efficiency.....	22
2.3.6 Weak form efficiency test in Malaysia Stock Market	23
2.3.7 Technical Analysis: An asset allocation perspective on the use of moving averages	24
2.3.8 Technical analysis in an empirical study of Asian stock markets.....	25
2.3.9 An investigation of the role of technical analysis in Kuwait	26
2.4 Hypothesis of Study.....	27
2.5 Theoretical Framework.....	28
2.6 Conclusion	28
CHAPTER 3	29

3.0 Introduction	29
3.1 Research Design	29
3.2 Data collection method	30
3.3 Data Analysis.....	31
3.3.1 Eviews	31
3.3.2 Autoregressive Model	31
3.4 Empirical design	32
3.4.1. Empirical Model 3.1 (Return on Industrial Product sector)	32
3.4.2 Empirical Model 3.2 (Return on Plantation sector)	33
3.4.3 Empirical Model 3.3 (Return on properties sector)	33
3.4.4 Empirical Model 3.4 (Return on Trade and Services sector).....	34
3.5 Methods of Data Analysis	36
3.5.1 Unit Root Test.....	36
3.5.2 Autocorrelation Test.....	37
3.5.3 Heteroscedasticity Test (White Test).....	38
3.5.4. Ramsey's Reset Test	39
CHAPTER 4	42
4.1 Descriptive Statistics of Daily data for each sectors.....	42
Table 4.1.1: Descriptive Statistics of IND, PLT, PRO, and T&S for daily data.	42
4.1 Descriptive Statistics of Weekly data for each sectors.....	44
Table 4.1.2: Descriptive Statistics of IND, PLT, PRO, and T&S for weekly data.	44
4.1 Descriptive Statistics of Monthly data for each sectors.	46
Table 4.1.3: Descriptive Statistics of IND, PLT, PRO, and T&S for monthly data.	46
4.2 Unit Root Tests	48
Table 4.2.1 Unit Root (Daily).....	48
Table 4.2.2 Unit Root (Weekly).....	49
Table 4.2.3 Unit Root (Monthly).....	50
Table 4.2.4 Unit Root (Daily).....	51
Table 4.2.5 Unit Root (Weekly).....	52
Table 4.2.6 Unit Root (monthly)	53
4.3 Estimated Empirical Model	54
Table 4.3.1.1 Estimated Empirical Model 1 using Daily data (Industrial Product).....	54
Table 4.3.1.2 Estimated Empirical Model 1 using Weekly data (Industrial Product).....	55
Table 4.3.1.3 Estimated Empirical Model 1 using Monthly data (Industrial Product)	56
Table 4.3.2.1 Estimated Empirical Model 2 using Daily data (Plantation)	57
Table 4.3.2.2 Estimated Empirical Model 2 using Weekly data (Plantation).....	58
Table 4.3.2.3 Estimated Empirical Model 2 using Monthly data (Plantation)	59
Table 4.3.3.1 Estimated Empirical Model 3 using Daily data (Properties).....	60
Table 4.3.3.2 Estimated Empirical Model 3 using Weekly data (Properties).....	61
Table 4.3.3.3 Estimated Empirical Model 3 using Monthly data (Properties)	62
Table 4.3.4.1 Estimated Empirical Model 3 using Daily data (Trade and Services)	63
Table 4.3.4.2 Estimated Empirical Model 4 using Weekly data (Trade and Services)	64
Table 4.3.4.3 Estimated Empirical Model 4 using Monthly data (Trade and Services).....	65
4.3 Diagnostic Test.....	66
4.4.1 Diagnostic Tests Of Model 1 For Industrial Product Sector Daily Data.....	66
4.4.1 Diagnostic Tests Of Model 1 For Industrial Product Sector Weekly Data.....	68
4.4.1 Diagnostic Tests Of Model 1 For Industrial Product Sector For Monthly Data.....	70

ABSTRACT

The purpose of this study is to investigate the existence of Efficient Market Hypothesis in Bursa Malaysia's selected industries. The data was collected in for each industry for daily, weekly and monthly basis from year 2011 to 2015. This study used Autoregressive Model to regress the past stock price with the current stock price. Result of this study reveals that for daily data, all of the industries has significant relationship which can be concluded as inefficiently weak. Meanwhile, for weekly data only consumer industry is inefficiently weak and for monthly data only industrial industry is inefficiently weak. All the other data for other industries can be concluded as efficiently weak. These results provide understanding towards investors, analysts and regulator in dealing with Efficient Market Hypotheses.